



The Large Public Power Council

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www.lppc.org

June 18, 2007

The Honorable John Dingell
Chairman of the House Energy and
Commerce Committee
2125 Rayburn House Office Building
Washington, DC 20515

The Honorable Rick Boucher
Chairman of the Subcommittee on
Energy and Air Quality

Dear Chairman Dingell and Chairman Boucher:

The Large Public Power Council (LPPC) represents 24 of the largest public power systems in the United States, providing electric power to 40 million consumers in 11 states and Puerto Rico.* LPPC is pleased to respond to your letter of 24 May 2007 seeking our views on a number of questions on a Federal portfolio standard.

LPPC's members are nationally recognized leaders in energy efficiency and renewable energy programs. LPPC believes increased use of these resources is an important element in the development of US energy and climate change policies. We are pleased that the House Energy and Commerce Committee is seeking input from interested parties on a portfolio standard before the development of a legislative proposal. The responses you receive should allow the Committee to more fully understand the benefits and costs of, and the range of view on, a portfolio standard as you take next steps in consideration of this potentially significant energy policy measure.

LPPC's responses to the specific questions contained in your 24 May letter are attached. Again, we thank you and the Committee for the opportunity to present our views.

Very truly yours,

Bob Johnston /jpb
Vice-Chair

Austin Energy (TX) • Chelan County PUD (WA) • City Public Service (TX) • Clark Public Utilities (WA) • Colorado Springs Utilities (CO)
Imperial Irrigation District (CA) • JEA (FL) • Long Island Power Authority (NY) • Los Angeles Department of Water and Power (CA)
Lower Colorado River Authority • Massachusetts Municipal Wholesale Electric Company (MA) • Municipal Electric Authority of Georgia (GA)
Nebraska Public Power District (NE) • New Power Authority (NY) • Omaha Public Power District (NE) • OUC (FL)
Platte River Power Authority (CO) • Puerto Rico Electric Power Authority (PR) • Sacramento Municipal Utility District (CA) • Salt River Project (AZ)
Santee Cooper (SC) • Seattle City Light (WA) • Snohomish County PUD (WA) • Tacoma Public Utilities (WA)



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Large Public Power Council Response

Questions 1-7 in the 24 May 2007 letter from Chairmen Dingell and Boucher
to Joe Beal, Chair of the Large Public Power Council

1. Purpose of Portfolio Standards Proposals

- a. Do you believe that adopting one or more Federal “portfolio-standard” requirements applied to sources of retail electricity, mandating that a given percentage of the power sold at retail come from particular sources, is an advisable Federal policy? Why or why not?
- b. Is it appropriate for Government to impose generation-source conditions or energy savings requirements on load-serving utilities in order to serve public-policy purposes such as promotion of renewable energy production, energy efficiency, and reduction of carbon emissions? Why or why not?
- c. If you favor such a policy, how would you define its specific purpose?

LPPC’s members are nationally recognized leaders in energy efficiency and renewable energy programs. LPPC believes increased use of these resources is an important element in the development of US energy and climate change policies. In developing policy, the Federal government has a responsibility to protect public health and welfare and to do so in a manner that is fair, balanced and reasonable. With regards to addressing renewable energy, energy efficiency, and greenhouse gas emissions, the Federal government needs to recognize the complex and long-term nature of the climate change issue; focusing only on utilities and their customers will not suffice. A comprehensive, economy-wide approach is needed that starts with manageable and realistic steps that move the nation forward. If Congress does move forward with some form of portfolio-standard, LPPC believes it should include provisions to take into account the regional differences in the availability of renewables for electricity generation.

- d. If Congress were to adopt an economy-wide policy mandating reductions in emissions of greenhouse gases, including the electricity industry, would such a portfolio standard policy remain necessary or advisable?

LPPC believes such a portfolio standard would be unnecessary if Congress were to adopt such an economy-wide greenhouse gas emissions reduction policy.

2. Portfolio Inclusions and Exclusions

- a. What is the principle that should determine inclusion or exclusion of any energy source from an adopted portfolio standard? (i.e., excludes all fossil-fired generation, includes all generation that emits no GHG, excludes all generation below given energy-conversion efficiency, etc.)

The guiding principle should be reducing greenhouse gas emissions and as a general matter, a portfolio standard should include a resource in the portfolio standard if it is a zero-emission resource – including energy efficiency.

- b. What generation sources for retail electricity supplies (including efficiency offsets) should be included and should be excluded from any mandatory portfolio requirement that is adopted? Please provide your reasons for excluding any sources.

Efficiency offsets should be included as the equivalent of a generation resource because energy efficiency is available with zero emissions of greenhouse gases

- c. To the extent that multiple renewable energy sources and efficiency or other sources are eligible for inclusion, should any tiers among them or separate sub-requirements be adopted?

There should not be tiers or sub-requirements among the multiple renewable energy sources and efficiency.

- d. Should there be any distinction between existing and new sources of generation eligible for inclusion in the portfolio? If so, what would be the threshold date for eligibility?

The principal thrust of a portfolio standard should be new resources – however, appropriate recognition should be given to utilities that have already made the investment in renewable or other zero carbon dioxide resources and energy efficiency measures. We note that the distinction between, and definition of, existing and new sources will have a significant impact on the stringency of the percentage requirement.

- f. To the extent energy efficiency is included:
 - i. How would the required savings be measured and verified?

The Secretary of Energy, in consultation with State agencies and research organizations, should promulgate regulations on measurement and verification of conserved electricity. The regulations should: specify the methods for measuring and defining electricity savings to be included in the program; include estimated values for specific, commonly-used efficiency measures; account for the useful life of efficiency measures; allow for the adjustment of electricity consumption levels to account for weather normalization, level of production, and building size compared to the baseline period; specify the extent to which electricity savings obtained prior to the baseline period are eligible to be included in the program; and assure that there is no double counting of savings.

- ii. Against what base consumption period (historic or projected)?

The base consumption period should be updated periodically.

3. Percentage Requirement and Timing

- a. What target percentage of total retail power deliveries should be achieved by the required portfolio?

The target percentage should be one that is achievable without significant adverse price or reliability impacts to electricity consumers.

- b. What is the target year for reaching the ultimate mandated portfolio percentage?

The target year for reaching the mandate should be a function of the target percentage.

- d. Should there be any “off-ramps” or other built-in automatic changes in requirements as a function of contingencies? If so, what should they be? (e.g., price or cost thresholds, contingencies for natural or climate conditions, lack of adequate transmission, etc.)

If the portfolio standard compliance program includes a provision to buy credits from the government at a reasonable price, then, except in force majeure circumstances and in cases where inadequate transmission prevents the delivery of electricity from renewable resources, other off-ramps or contingencies should be unnecessary.

4. Relationship to State Portfolio Standards and Utility Regulation

- a. Should an adopted Federal portfolio standard set:
 - i. A minimum standard, allowing States to set or maintain higher targets?
 - ii. A preemptive standard, prohibiting States to set higher or different targets?
 - iii. Merely a mandate for a standard, allowing States to set their own targets at any level?
 - iv. Merely a given percentage target, allowing States to elect generation or efficiency sources eligible to meet it?
 - v. A standard applying only to States without prior portfolio requirements, grandfathering all prior standards programs?

LPPC members are still developing their response to this question and will transmit the response to the Committee as soon as possible.

- b. Can and should State regulatory agencies be required to pass through the costs of complying with Federal portfolio standards requirements in retail rates?

LPPC’s members are municipal or State agencies and believe the cost pass-through issues should be left to the appropriate State and municipal authorities.

5. Utility Coverage

- a. Should any retail sellers of electricity be exempt from the portfolio requirement? (e.g. municipal utilities, rural cooperatives, utilities selling less than a minimum volume of power, unregulated marketers in States with competitive retail markets, etc.)

Public power entities (such as LPPC's members) should not be subject to any portfolio requirement until there are incentives under the Renewable Energy Production Incentive or the Clean Renewable Energy Bonds programs that are comparable to the incentives (e.g., section 45 tax credits) available to investor-owned utilities.

- b. Should any standard apply to wholesale power markets or sales?

The standard should be applied at only one point – retail sales.

- c. Should there be any basis for discretionary exemptions of certain States or utilities?

See answer to question #4 above.

6. Administration and Enforcement

- a. Should a Federal Government entity enforce the requirement and decide on any exemptions?
 - i. If so, which one? (e.g., the Environmental Protection Agency? The Department of Energy? The Federal Energy Regulatory Commission? A newly created office or entity?)

The Department of Energy is best suited to oversee a Federal portfolio standard requirement.

- b. How should Federal and State enforcement be coordinated in States with their own portfolio requirements?

The holder of a renewable energy credit that meets requirements for both a State and Federal portfolio standard should be able to be used to satisfy compliance requirements in both programs.

7. Credits and Trading

- a. Should tradable credits for qualifying generation be utilized as the mechanism for establishing compliance?

Yes, tradable credits should be utilized as a mechanism for compliance. Another mechanism that should be included is to purchase compliance credits directly from the Federal government at an established price.

- b. Should credit trading be permitted or required on a national basis in order to achieve least-cost compliance with the portfolio standards?

If Congress adopts a portfolio standard, LPPC would like to see the program promote trading to the extent possible without compromising State authority.

- c. Should there be a cap on credit values to limit costs?

Yes, the government should make credits for compliance (not for trading) available at an established price.

- d. As between a utility purchaser and a qualifying power generator, to whom should the portfolio standard credits be initially allocated?

Any portfolio standard credits should be initially allocated to the power generator, but the parties should be able to provide by contract for a different allocation.

- e. What relationship, if any, should portfolio standard credits have to other State and Federal credit trading programs for SO₂, greenhouse gases, or biofuels?

It doesn't appear technically feasible to integrate a portfolio standard credit trading program with allowance trading programs for SO₂, greenhouse gases, and biofuels.

- f. What requirements, if any, would there be concerning the length of contracts for qualifying generation and ownership of credit rights?

There should be no Federal rules regarding length of contracts. Ownership of credit rights should be determined by contract – however as noted above – the initial entitlement to credits should be vested in the generator (unless otherwise provided by contract).